

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7076

BILL NUMBER: SB 532

NOTE PREPARED: Feb 25, 2013

BILL AMENDED: Feb 21, 2013

SUBJECT: Higher Education Student Loans.

FIRST AUTHOR: Sen. Eckerty

FIRST SPONSOR: Rep. Behning

BILL STATUS: As Passed Senate

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: No Fiscal Impact

Summary of Legislation: (Amended) This bill permits the Indiana Secondary Market for Education Loans, Inc. (Corporation) to become a direct lender of postsecondary education loans for purposes of attending both Indiana and non-Indiana postsecondary education institutions. It allows the board of directors of the Corporation to meet in executive session to protect proprietary business information.

The bill provides that the board of directors of the Corporation is not required to have a minimum number of members present at the place where the meeting is conducted in order to conduct an electronic meeting.

The bill repeals a provision concerning certain requirements regarding a meeting of the board of directors of the Corporation, and repeals the law that establishes the Secondary Market Sale Fund.

Effective Date: July 1, 2013.

Explanation of State Expenditures: The bill should have no impact on the state. The bill allows the ISM to make loans directly to students. Currently, the ISM purchases student loans from financial institutions that make loans to students. The bill would increase students' options in selecting loans.

Not requiring a minimum number of board members of the ISM to be present at the place where a board meeting is conducted in order to conduct an electronic meeting should make it easier to have a board meeting and may reduce the cost of meetings.

The Secondary Market Sale Fund was used in the late 1990s and early 2000s to provide funding for the ISTEP

testing and remediation when the assets were sold. There is currently no money in the fund, so the repeal of the fund will have no fiscal impact.

Background: The ISM began operation in August of 1981. ISM is a private, not-for-profit organization that purchases student loans from financial institutions.

Current statute authorizes ISM to:

- (1) borrow money;
- (2) purchase, sell, and retire education loans, if the loans are not in default status;
- (3) provide incentive services and payments, including the payment of premiums for the purchase of education loans and the payment of an origination fee, to assist lending institutions that provide education loans;
- (4) loan funds to lending institutions if: (A) the lending institution agrees to use the funds to originate education loans of an amount equal to the loan made by ISM over a period agreeable to ISM and to grant ISM the right of first refusal to purchase those education loans; (B) the lending institution agrees to use education loans or government securities as collateral for the loan; and (C) the ISM has, in response to its written request, received written authorization from the Governor to exercise the power described in this subdivision;
- (5) establish after consultation with the associations representing the private lenders of Indiana and, at the direction of the Governor, a direct lending program under which the ISM may make education loans:
(A) to eligible borrowers under a federal program; and (B) if the ISM determines that the borrowers cannot reasonably obtain an education loan from a lending institution in Indiana;
- (6) make direct loans to or for the benefit of an education loan borrower to consolidate all or a part of the borrower's outstanding education loans into one loan; and
- (7) operate a secondary market for postsecondary education finance instruments, including tuition certificates and education savings certificates sold by or offered through lending institutions or postsecondary educational institutions.

Under current statute, ISM is subject to an annual audit by the State Board of Accounts. Current statute also specifies that debts incurred by ISM do not represent or constitute a debt of the state of Indiana.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected:

Information Sources: ISM Education Loans, <http://ismloans.org/Pages/AboutUs.aspx>.

Fiscal Analyst: Chuck Mayfield, 317-232-4825.